

**Indiana Bureau of Motor Vehicles
Efficiency Task Team Report
of the
General Government Subcommittee
of the
Government Efficiency Commission**



November 8, 2004

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I. INTRODUCTION

The General Government Subcommittee of the Indiana Government Efficiency Commission (IGEC) selected the Bureau of Motor Vehicles (BMV) as one of the Agencies for analysis under the charter of the enabling legislation, Section 244 of the Current Budget Bill. The BMV is one of the most visible of all of the Agencies of State Government as every citizen of Indiana who owns or legally operates a motor vehicle as defined by State Law must come in direct contact with the BMV at one time or another. As a result of this interactive relationship with the general public the BMV enjoys a very high level of visibility throughout the State.

At the time that the GGSC was initiating its work under the charter of the Indiana Government Efficiency Commission the BMV was undergoing a significant change in Executive Management. These changes were brought on in large measure by some embarrassing developments which became well known to the general public through media reports. The timing of the embarrassing revelations and the resulting Executive Management changes in concert with the timing of the work of the GGSC made it awkward for both the GGSC and the BMV to develop an in-depth analysis of the Agency. This is not to fault the leadership of the BMV. The timing of the transition combined with the need to focus on regaining control of the Agency simply made it awkward to attempt an in-depth analysis. And, the challenges facing the GGSC in completing its mission limited the amount of time available to devote to the analysis of the BMV.

Sufficient information was made available by the BMV and the LSA to support the analysis and conclusions of this Report. Our appreciation is extended to the Executive Management of the BMV for their willingness to cooperate at a time when their focus was on addressing some serious internal issues which were making headlines on an all too regular basis.

II. STUDY FOCUS AND APPROACH

In performing our work the GGSC developed the approach of forming Task Teams consisting of citizen volunteers who were able and willing to invest the time and effort to perform a meaningful analysis on a pro-bono basis of an assigned Agency. In the case of the BMV it was determined that, given the upheaval within the Executive Management ranks taking place at the same time the GGSC was attempting to organize and perform its work, it was neither prudent nor practical to pursue this approach with respect to the BMV. Instead the chairman of the GGSC, S. W. Baranyk, worked with a few key managers within the BMV and knowledgeable staff within the LSA (Mr. James Sperlik) to perform an overview of the Agency from which to draw some Conclusions in support of meaningful Recommendations.

III. KEY ISSUES FACING THE BMV

A. BMV COMMISSION – DILUTED ACCOUNTABILITY AND PERFORMANCE MEASUREMENTS

The general public looks to the BMV for “time efficient” service as they fulfill the requirements of the motor vehicle rules, regulations and laws of the State of Indiana. The general public wants to be able to renew their license plates and driver’s licenses on an ad hoc basis to suit their

own schedules with a minimum of disruption to their normal routine. The cost the general public pays for these services is also important. Some of the fees and taxes are set by the BMV Commission and some are set by the Legislature. While the general public may gripe about these "costs" they do not vote for the BMV Commission and thus can only grumble and complain to their elected Legislators. So, in addition to feeling it in their pocket books the general public also measures its "experience" in dealing with the BMV on the basis of perceived convenience in terms of the amount of personal time they must expend to perform the required transactions compared to the fees and taxes paid.

Historically the BMV, going back before the reorganization under the Orr administration, was a source of financial support for the political party in power at that time. Positions within the BMV were handed out as patronage by county and state politicians in exchange for the mandatory 2% (or whatever the percentage was) contribution to party coffers. Competence in the execution of their assigned duties, while desirable, was not at the top of the list in making hiring decisions. The reorganization of the late '80s under Governor Orr was a step in the right direction but in solving one problem another was created in the form of the BMV Commission. This structure separated control of employment within the branches from the Agency management and has made it at best difficult to hold the executive head of the BMV fully accountable for the total results produced by the Agency. Yes, the Commissioner of the BMV is a member of the BMV Commission but the branch employees are not employees of the Agency, they are employees of the Commission. And their pay and benefits are lower than those afforded to State employees for reasons not clear to this writer.

The combination of the separate BMV Commission and the BMV Agency along with the lower pay and benefits and other institutional conditions make it very difficult to establish a culture of high motivation at the branch level. And these conditions conspire to make it very difficult to hold the Executive Management of the Agency fully accountable for the level of service provided. (1)

During the period from 1993 to 2003 the number of licensed drivers in Indiana grew by nine point one percent (9.1%) to 5,548,993. During this same time period total vehicle registrations grew by fifteen point eighteen percent (15.18%) to 5,703,168. Semi-trailer, trailer, motorcycle and tractor registrations all showed gains of no less than thirty-three percent (33.0% - Tractors) and as much as seventy-four point eighty five percent (74.85% - Semi-trailers).

During this same period total Combined Expenditures for both the BMV Commission and the BMV Agency increased by \$75,427,401 (231%) to \$132,953,633 compared to the 1993 level of \$57,526,232.

The data available raise some questions which should be pursued by both the BMV Agency Management and the Office of Government Efficiency Improvement proposed in the Executive Summary Report of the GGSC.

During the 1993 to 2003 period the number of new driver's licenses issued grew by (62.4%) to 209,272 while the number of license renewals grew by (34.46%) to 1,363,604.

When compared to the combined total expenditures of the BMV Commission and

Agency this resulted in a (42.31%) increase in the ratio of the total combined dollars of Expenditures to the number of new licenses issued and a (71.89%) increase in the ratio of the total combined dollars of Expenditures to the number of license renewals.

These “ratios” grew much more rapidly than did the number of “services performed” by the BMV Commission/Agency making an in-depth analysis appropriate to determine what caused this and what steps should be taken to reduce these ratios in the future.

It should not be presumed at this point that the shifts in these ratios are either “Ungood” or “OK”; we don’t know but some effort should be made to explain these changes.

Ideally, the “Executive Head” of the BMV Agency should be held accountable for the performance of all aspects of issuing the licenses, plates, permits, etc. which come under the jurisdiction of the BMV Agency and for the efficient and effective collection of all applicable fees, assessments, taxes, etc. There should be specific quantifiable measurements of performance for all service functions within the Agency and a continuous level of measurable improvement in the form of reduced costs per transaction from year to year. This does not imply a reduction to the quality of service provided but rather a reduction to the transactional costs associated with providing these services. (2)

This lack of performance measurement is an endemic problem throughout our State Government. And by achieving a continuous level of improvement (reduction) to the transactions costs of the Agency it should be possible to raise the level of pay and benefits for the Branch employees supporting the hiring and retention of more capable individuals without increasing the total cost.

B. LEGISLATIVE INVOLVEMENT IN THE LOCATION AND NUMBER OF BRANCHES

Given the serious fiscal issues facing the State one would think the Legislature would, on its own, recognize the need to completely delegate to the BMV Agency the decisions regarding the number, location and size of the branches along with those issues now handled by the BMV Commission. This would enable the Legislature to focus on other pressing issues while at the same time concentrating the Authority, Responsibility and Accountability for the performance of the BMV in one person. Implicit in this is the concept of performance measurements as noted above.

There have been some egregious examples of distorted allocations of resources under the current system of locating BMV branches. Until a few years ago one of the most populous counties in the state had only one BMV branch while another largely rural county enjoyed three branches. When pressed on this issue a legislator is reported to have replied that the three branches served as places where the local populace could gather to meet and socialize as a justification for this distortion.

C. COUNTY OF REGISTRATION IDENTIFICATION ON PASSENGER CAR PLATES

There may have been a time when identifying the county of registration on passenger car plates was a good idea for law enforcement purposes. With the advent of lap-top computers in law enforcement vehicles which support rapid identification of vehicle registrations this system is no longer needed. In fact, it is rapidly becoming a quaint symbol of the narrow vision applied to so much of our State Government. The current system adds an unneeded level of complexity to forecasting the total demand for passenger car license plates in the effort to balance supply with demand.

What makes this even more inefficient is the policy of the BMV supporting the registration of vehicles in any of the ninety-two counties of our state regardless of the "home county" of the owner. Under this policy a citizen in any one county can register and renew their license plates in any other county and receive a license plate of their home county. The logistics of balancing demand with local inventories is daunting to say the least and it often results in the BMV mailing plates to an owner when, had there not been the issue of county designation on the plate, the owner could have received a plate in person with no further cost and no further delay.

D. ECONOMIES OF SCALE IN THE UTILIZATION OF BMV BRANCHES

It is the judgment of this writer that the branch facilities of the BMV represent an underutilized asset in terms of issuing Permits, Licenses and other state required documents and the collection of fees and taxes. The Department of Revenue has developed sophisticated and very efficient systems for collecting taxes and issuing tax filing and other notices. These systems, some of which are fully automated (computer/machine based) and some of which combine automation with a direct person-to-person customer interface, are very efficient in terms of the cost per transaction performed and the timeliness of service to the general public. These accomplishments are documented in the Department of Revenue Task Team Report of this GGSC.

There are a number of Agencies and Departments within our State Government that collect monies due in return for a service rendered (a permit granted, a license granted, taxes paid) such as the DNR, the BMV, the IDEM and others. The BMV appears to have the largest number of branches of any State agency with some level of coverage in almost every corner of the State. There must be some opportunities for significant economies of scale by utilizing these locations for the collection and issuance functions of other State agencies, departments and programs. And by utilizing some of the systems developed and perfected by the Department of Revenue the cost per transaction should be significantly reduced compared to the current segregated approach.

E. APPLICATION OF TECHNOLOGY

The BMV has made strides in the application of sophisticated technology to improve the delivery of services under its current charter. License plate registrations can be renewed via computer kiosks in many locations. Citizens can renew their driver's license via the internet. These are appropriate improvements to the historical method of manual clerical transactions as they accommodate the desire of citizens to perform these tasks at that time which is most convenient to them regardless of the time of day or the day of the week. These concepts need to be dramatically expanded within both the BMV as well as state government to drive the cost of individual transactions even lower while elevating the level of service quality through convenience.

The BMV in concert with the Department of Revenue recently won an award for their innovative use of electronic transmission of driver records to the courts for use in legal proceedings. This saves time, paper and postage, allows the documents to be electronically stored at the court and speeds up the administration of justice. The noteworthy aspect of this system is the acceptance by the courts of these transmitted documents over the electronic signature of the BMV Commissioner as being legally valid. It seems obvious that other Agencies in our State government should be employing this same system for transmission of their legal and other important documents.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. FOCUS ACCOUNTABILITY FOR PERFORMANCE

The Legislature should immediately abolish the BMV Commission, blend all BMV Commission duties and responsibilities into the BMV Agency (no "Commissioners" in between the Agency head and the branches) and hold the head of the BMV Agency fully accountable for the total performance of the entire Agency.

The Legislature should demand that the BMV Agency develop and present for their review and approval a series of Performance Measurements including initial performance objectives to be reported on publicly and which will track on a Timely, Accurate and Complete basis the performance of the agency in carrying out those functions, duties and responsibilities assigned to it.

Once presented and accepted, the Legislature should demand that the BMV publicly report on its performance on no less than a Quarterly Basis (again on a Timely, Accurate and Complete basis – within two weeks of the completion of a quarter) with an explanation for each measurement of sub-par performance accompanied by a Performance Improvement Action Plan to correct the situation and to achieve the committed level of performance.

The Legislature should demand that the adopted Performance Measurements demonstrate a trend of continuous improvement over time in the operation of the BMV Agency. The Quarterly Reports should be used to confirm these improvements. The Legislature should demand that failure on the part of the BMV Agency to meet the

agreed to improvement measurements for two consecutive quarterly reports or for two quarters out of four consecutive quarters will result in the immediate replacement of no less than the head of the Agency.

This same concept needs to be applied throughout the Executive Branch of State Government to all appointed officials.

The Legislature should hold the BMV Agency strictly accountable for the disposition of its assets to provide services to all the citizens of the State while balancing the cost of operating the Agency against the level of services provided.

Under this system, it will be the Responsibility of the BMV Agency head and their staff to decide where to locate branches, how to staff and schedule the branches and what levels of automation to adopt and deploy while driving costs per transaction down without sacrificing service.

B. ELIMINATE THE COUNTY OF REGISTRATION DESIGNATION FROM PASSENGER CAR LICENSE PLATES

The continuation of using County of Registration designations on passenger car licensed plates adds cost and complexity to the system of issuing these plates without any significant improvement to law enforcement regardless of what some in the law enforcement community may say. If this were such a key issue in effective law enforcement then all the fifty states would adopt such a system. We are bordered by states which do not now use such a system.

Eliminate this system immediately and allow the BMV Agency to determine, with appropriate input from “others” what system works best for our State. “Works best” means is the most cost effective without any impairment to public safety. Other states have done this for years; it’s time for Indiana to move forward.

C. DEMAND THAT THE EXECUTIVE BRANCH DEVELOP AND IMPLEMENT PLANS TO EXPAND THE SERVICES OFFERED AT BMV BRANCH LOCATIONS TO IMPROVE SERVICE TO THE CITIZENS WHILE REDUCING THE COST OF GOVERNMENT

As noted above the BMV Branch system offers an opportunity to provide expanded services to the Citizens of Indiana while simultaneously reducing the cost and improving the convenience of providing the services.

Likely candidates for combined services include the Department of Revenue, the Department of Natural Resources, the Indiana Department of Environmental Management and the various professional/skilled licensing agencies. Other candidates could include functions within the Family and Social Service Agency and Department of Workforce Development.

Regardless of the specific agencies or functions included, expanding the services offered at the BMV branches provides a unique opportunity to improve the overall Efficiency of our State Government while simultaneously improving the Effectiveness of our State Government.

Improvements in Efficiency equate to doing more with less (more output at lower cost),

Improvement in Effectiveness equate to doing it better (improving the quality of the service provided at the same or lower cost).

The imposition of demands for Timely, Accurate and Complete performance measurements within the BMV in particular and throughout the Executive Branch in general will cause the development of programs to utilize the BMV branches for expanded services as a natural consequence of this policy. One of the key weaknesses in the management of our State Government today is the inability of either the Executive or the Legislative branch to effectively apply normal performance measurement standards to the functions of State Government which would support the identification of opportunities for improved performance.

The concept of performance measurement leading to quantifiable performance improvement is generally alien to many good people currently working hard within the Executive branch which in turn makes it difficult to convince them of the possible benefits to making this type of a cultural change. Too often this writer was told that "government is not like a business and it cannot be run like a business". Unless and until this cultural change is made it will be very difficult for the Legislative and Executive branches to solve the current fiscal challenge without resorting to some combination of dramatically reduced services/programs and/or higher taxes.

These recommendations for improving both the Efficiency and the Effectiveness of the BMV serve as a miniature model of some of the steps which need to be taken throughout the Executive branch with the full support of the Legislative branch. Implementing these changes will take time but unless the process is initiated now the problems will only become more difficult in the future. The immediate savings may be modest at best but the long term improvements should be dramatic as they will be built upon a new culture within State Government.

It is the judgment of this writer that there is a pressing need for optimizing efficiency at all levels of our State Government including the BMV Agency and Commission. Applying the fundamental principles of sound management (Delegating Authority, Defining Responsibility and holding the Management Accountable for the results produced through quantifiable performance measurements) can only help to improve the performance of the BMV Agency.

It is instructive to this writer that at least two Agencies, the BMV and the Department of Revenue, have found innovative and award winning ways to employ technology to their operations with the resulting benefits of simultaneously improved efficiency and effectiveness. These two agencies serve as a beacon to the rest of state government to open their eyes and their minds to the potential for making similar improvements.

(1) The reader is encouraged to read the brief discussion of implementing Cultural Change in the Executive Summary

(2) The reader is encouraged to read the brief discussion of Productivity in the Executive Summary.